DEP Response to EPA questions from 2-15-18

1) **To determine the baseline wastewater costs, we multiply the current wastewater rate of $6.06 per hundred cubic feet (hcf) of water by an average household consumption of 87.6 hcf (from the 2016 Financial Capability Assessment), and then multiply that value by 3.128 million households resulting in an estimate of total current wastewater costs of $1.66 billion per year. New York City's water and wastewater rate report (http://www.nyc.gov/html/nycwaterboard/pdf/blue_book/nyc_rate_report_fy17.pdf) indicates that wastewater charges accounts for 61% of the total rate ($6.06 of $9.87), consistent with the $6.06 per hcf in the Financial Capability Assessment. However, the report also indicates that NYC anticipates revenue from water/sewer user payments of $3.5 billion in 2017. Applying 61% to the total water/sewer revenue of $3.5 billion results in an estimated $2.1 billion per year of revenue for wastewater alone. This estimate is greater than the $1.66 billion we project on the basis of average household consumption. Can you provide any insight into the reason for this discrepancy that could help us determine which method more accurately estimates baseline wastewater costs?**

Characteristic	Value	Source
Wastewater Rate	$6.06/hcf	http://www.nyc.gov/html/nycwaterboard/pdf/minutes_and_resolutions/wb-materials-20180126.pdf and http://www.nyc.gov/html/nycwaterboard/html/rate_schedule/index.shtml
Average Household Consumption	65,530 gallons/year 8760.09 cf/year 87.6090 hcf/year	New York City Department of Environmental Protection. *Combined Sewer Overflow Long Term Control Plan Financial Capability Assessment*. February 2016. http://www.nyc.gov/html/dep/pdf/cso_long_term_control_plan/2016-cso-ltcp-financial-capability-assessment.pdf
Average Wastewater Bill	$530.86/year	Calculation

The calculation you presented above of multiplying average household consumption by the wastewater rate, and number of households is a rough proxy for wastewater revenues from the residential sector. We also have commercial, municipal and industrial uses, and some of our customers pay a flat fee vs the volumetric rate, so this estimate is not complete.

The FY 17 revenues for water and wastewater can be found in this Comprehensive Annual Financial Report: http://www1.nyc.gov/assets/nyw/downloads/pdf/nyw-annual-report-17.pdf. On page 33 you will see that the water revenues amounted to $1.407 billion and **wastewater (sewer) revenues amounted to $2.237 billion.**

2. **We have also reviewed New York City's 10 Year capital plan (see attached) that identifies numerous future projects over the next 10 years, some of which could potentially help mitigate CSO impacts. We want to make sure we have an accurate and complete baseline without double-counting. Are there solid commitments to any future projects that are not**

represented in your current wastewater rates? Also, to make sure we identify future commitments that relate to CSO controls, can you identify those projects that could potentially help mitigate CSO impacts and explain how New York City anticipates those projects will affect wastewater treatment rates?

As previously discussed, DEP has provided costs associated with the Waterbody Watershed Facility Plans and Green Infrastructure Program (Previously submitted Table B: Committed Existing CSO Program Costs). Some of these costs have been incurred, and some are included in the CIP.

Separate from these CSO investments, DEP is making a $1.7B investment in sewer build-out in Southeast Queens, which is anticipated to have water quality improvements in a CSO area. This funding is included in the CIP.

3. **Are there any other future projects, including those that could potentially help mitigate CSO impacts, which are not within this 10-year capital plan? If so, can you explain how New York City anticipates those projects will affect wastewater treatment rates?**

   As shown in previous version of Table A: LTCP CSO Program Costs, some of the LTCP projects will be funded outside the 10 year CIP. There is a column for estimates from FY28-37 for the submitted/approved LTCPs, but we don't have costs yet for the pending LTCPs.

DEP is funded almost entirely through rates paid by our customers, The NYC Water Board is responsible for setting water and wastewater rates sufficient to cover the costs of operating NYC's water supply and wastewater systems. NYC Municipal Water Finance Authority issues revenue bonds to finance NYC's water and wastewater capital programs, and the costs associated with debt service consume a significant portion of the system revenues. The rates are evaluated and set each year based on the anticipated annual cost of service.

With each LTCP submitted, DEP provided a Financial Capability Assessment. The most recent was the Newtown Creek LTCP in June 2017. There future rates in 2027 were roughly estimated based on the entirety of what was then the CIP at the time, and estimates were also made for 2042 assuming average annual spending of $2B/year for our system as a whole in the years after the 10-year plan . (See attached excerpt starting on page 9-33). We will be updating this analysis in our next LTCP submittal.